

## Consumer Coalitions

**ISSUE:** Should the Medicare program fund demonstrations of consumer coalitions to assess their ability to provide additional information about Medicare insurance products for member beneficiaries and to negotiate on behalf of member beneficiaries for Medicare+Choice and Medicare supplemental products? The Commission is required to make recommendations to the Congress on this question by December, as a result of a provision in the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).

**KEY POINTS:** MedPAC staff analyzed the findings of an expert panel held in July (meeting summary attached), interviewed advocates for consumer coalitions, spoke with CMS representatives, and conducted a site visit to the D.C. state health insurance assistance program (SHIP). We have concluded that a demonstration program to provide direct federal funding to consumer coalitions would not be useful. Specifically, we found that

- C Medicare consumer coalitions would likely not produce substantial additional value beyond what the SHIPs could do with additional funding, and would add another layer of confusion to an already complex system for providing beneficiary information.
  - < Coalitions can already work within the current SHIP structure
  - < Coalitions would introduce another competitor for the limited federal dollars that currently support the SHIPs and other CMS beneficiary education efforts
- C Medicare consumer coalitions would face serious obstacles in adopting the bargaining and purchasing roles.
  - < Coalitions would bring an uncertain membership population (in terms of numbers and risk characteristics) to the negotiations, causing insurers to charge the coalitions higher premiums or to resist contracting altogether
  - < Coalitions would only further segment the Medicare population

Accordingly, we recommend that the Secretary not conduct demonstrations of consumer coalitions.

**ACTION:** Staff will present the draft of a letter which, with Mathematica's expert panel meeting summary attached, is intended to satisfy the December mandate. We recognize that the Commission is viewing these findings for the first time and has not yet had the opportunity to discuss the findings of July's expert panel. We intended to present the expert panel findings at the September meeting and, based on that discussion, to refine them and draft a letter to serve as the mandated report. In the interest of time, we have gone ahead and written the letter. Commissioners should discuss the findings and the content of the letter and decide whether they agree with the findings and are satisfied with the letter for the mandated report. We are happy to incorporate any comments the Commissioners may have and hope to finalize the report at this meeting.

**STAFF CONTACT:** Susanne Seagrave (202-653-2621)